OCTOBER 2019

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

AIM JOURNAL

Gemfields set to return

Just over two years after leaving AIM, Gemfields appears set to return by the end of this year. However, it is not exactly the same business. Up until June 2018, Gemfields Group Ltd was known as Pallinghurst Resources Ltd, which in 2017 acquired Gemfields plc, which initially floated on AIM in 2005. finnCap has been appointed as nominated adviser and joint broker. There is no intention to raise additional cash.

Gemfields is currently quoted on the Johannesburg Stock Exchange (JSE) and the Bermudan Stock Exchange. The former listing is set to be retained but the other may be dropped as part of the move to AIM. Most of the current trading in the shares is on the JSE and management hopes that there will be greater liquidity with a London quotation.

In the six months to June 2019, Gemfields generated $28m in cash from operating activities and free cash flow (after capex and tax) of $7.5m. The cash is generated from the mining of emeralds in Zambia and rubies in Mozambique. The Fabergé jewellery business is loss-making, although reduced inventories cut the cash outflow.

Net cash was $35.5m at the end of June 2019. Gemfields is in the process of returning $24.7m to shareholders via share buy-backs and a special dividend. Gemfields expects to realise its investment in manganese-focused Jupiter Mines in November.

Thai-owned firm considers AIM

According to the Bangkok Post, Thailand-based floor coverings and furniture supplier TCM Corporation is assessing the prospect of floating its UK furniture business TCM Living (www.tcm-corporation.com/tcm-living). TCM Living's furniture brands include Altons, Ashley Manor and Alexander & James. TCM Corporation is already listed on the Stock Exchange of Thailand (SET).

TMC Living generated revenues of Baht 4.79 billion in 2018. Post-tax profit improved from Baht 114.5 million to Baht 165.8 million even though there was a much higher tax charge and the movement in the pound held back the profit figure. The EBITDA margin improved from 4.74% to 7.45% as administration costs were kept flat.

The current exchange rate is 0.026 of a Baht to the pound. That means the 2018 post-tax profit equates to £4.3m.

■ Pacific Petroleum Holdings has announced plans to join AIM in October. No details of the valuation or amount of money to be raised have been published. Pacific intends to build up a portfolio of oil and gas assets covering exploration, development and production. The initial focus will be North America. Most of the investments are likely to be minority stakes in projects.

In this issue

02 GENERAL NEWS
Linde buys into ITM

03 ADVISERS
Shore departs

04 NEWS
SigmaRoc Belgian deal

06 NEWS
Antibiotic Destiny

07 DIVIDENDS
Real Estate Income

08 FEATURE
AIM dividend payments

10 FEATURE
AIM award winners

11 STATISTICS
Market indices and statistics

HubInvest publishes AIM Journal

www.hubinvest.com

ITM's Linde venture

Energy storage and clean fuel products developer ITM Power has attracted industrial gases supplier Linde as a strategic investor and it will end up with around 20% of ITM. The two firms are entering into a joint venture that will supply hydrogen to large-scale industrial projects with an installed electrolyser capacity of 10MW and above. ITM and Linde have been working together for five years

Linde is investing £38m at 40p a share and a placing will raise a further £14m. Existing shareholders are being given the chance to participate in the fundraising at the same price through a one-for-19 open offer that could raise up to £6.8m. The open offer is expected to close on 21 October. ITM had £5.2m in the bank at the end of April 2019. There was a £15.2m cash outflow during the previous 12 months.

The additional cash will go towards building up ITM's manufacturing capabilities and financing the joint venture, which will initially require a £2m investment. Linde operates in more than 100 countries so it will help to sell the ITM technology to a broader geographical base, and a larger size of customer, than it could on its own. The initial focus will be on the refinery market. This deal should enable ITM to sell more electrolysers and it will be able to manufacture many more when it moves into new premises in Sheffield in the middle of next year.

ITM Power has been on AIM for more than 15 years and its flotation price was 50p. The previous placing and open offer two years ago raised money at 40p a share.

Cannabis event

Cannabis Investor Forum is holding a cannabis investment event at The Brewery in Chiswell Street, London, on 24 October. This event will bring together the investment community, entrepreneurs and companies in the cannabis sector. There will be speeches and panel discussions. The key topics will be UK and European regulation, cannabis entrepreneurship and the investment environment. The speakers include Professor Mike Barnes, a neurologist and rehabilitation physician; Hannah Deacon, executive director of the Medical Cannabis Clinicians Society; Nick Davis, chief executive of Memery Crystal; and John-Paul Doran, chief executive of Eco Equity. Details can be found at www.cannabisinvestorforum.co.uk.

Renalytix AI prospects enhanced

Diagnostics firm Renalityx AI is set to receive a better than expected price in the US for KidneyIntelX tests. A preliminary price determination for KidneyIntelX has been set at $950/test. There is a consultation period, but the reimbursement price is expected to be confirmed in November. This price is required for Medicare and Medicaid, but there is also potential for separate private reimbursement agreements.

KidneyIntelX is a test that can be used for the early diagnosis and improved management of chronic kidney disease patients who are at risk of a rapid decline in kidney function. A 5,000 patient clinical validation study is coming to an end and the results should be submitted to the FDA before the close of the year.

There are 12.5 million patients in the US that are the potential market for KidneyIntelX. The disease costs Medicare $114bn annually, so the cost of the test is relatively small.

Analysts had been expecting between $700 and $750 for a test so the price is much better than expected. Revenues will be modest in this financial year, but FDA approval would enable a much wider roll-out next year.

Stifel has increased its estimation of potential 2025 revenues from $287m to $361m. That assumes a 2% penetration of the relevant US market and a 1% share of the EU market, where the price could be lower.

Renalityx AI has pro forma cash of $25.9m. This will be more than enough cash for the next two years or more. By then the business could be significantly cash generative. Renalityx AI was spun out of EKF Diagnostics in November 2018 and initially raised money at 121p a share. The July placing was at 250p a share, which is similar to the current share price. EKF still has a 4.5% stake in Renalityx AI.

Shore decides to ditch AIM quotation

Shore Group, the owner of the eponymous AIM adviser, has decided that it does not want to be quoted on AIM and is asking shareholders to approve the withdrawal from the junior market at a general meeting in Jersey on 15 October. Shore is retaining its listing on the Bermuda Stock Exchange and that means that the shares can continue to be held in ISAs.

Shore says that it does not need to raise any more cash and it will save money by exiting AIM. It also points out that the shares were trading at a significant discount to the NAV of 266.3p a share and that discount is higher following the share price drop due to the proposed AIM cancellation.

In the first half of 2019, the capital markets business reported a lower profit because of reorganisation costs relating to the acquisition of Stockdale. That was responsible for group pre-tax profit falling from £2.56m to £1.34m.

Trading is not easy for smaller-company brokers. Cenkos Securities reported a slump in interim revenues from £18.1m to £10.6m and it fell into loss. There is still £14.7m in the bank so the interim dividend is unchanged at 2p a share. Cenkos has an encouraging pipeline but the timing of deals is difficult to predict.

Numis says that it had a tough second half of the year to September 2019. It expects to report second-half revenues in line with the first-half revenues of £55.7m. That suggests that full-year revenues could decline by nearly one-fifth. The pre-tax profit was £31.6m last year and this is likely to fall by a greater proportion than revenues because of operational gearing. Investment banking deal volumes have been lower, particularly at the higher-value end.

ADVISER CHANGES - SEPTEMBR 2019

COMPANY	NEW BROKER	OLD BROKER	NEW NOMAD	OLD NOMAD	DATE
Stanley Gibbons	Liberum	finnCap	Liberum	finnCap	02/09/19
AFC Energy	WH Ireland/MC Peat	MC Peat/Cantor Fitzgerald	WH Ireland	Cantor Fitzgerald	09/09/19
Digitalbox	WH Ireland/Alvarium	Alvarium	WH Ireland	WH Ireland	10/09/19
Frontier IP	N+1 Singer	Allenby	Allenby	Allenby	10/09/19
Pebble Beach Systems	finnCap	N+1 Singer	finnCap	N+1 Singer	10/09/19
GetBusy	Liberum	Liberum	Liberum	Grant Thornton	11/09/19
Circassia Pharma	finnCap/Numis/ Peel Hunt	Numis/Peel Hunt	Peel Hunt	Peel Hunt	12/09/19
Savannah Petroleum	Jefferies/Numis/ Mirabaud	Mirabaud/Hannam	Strand Hanson	Strand Hanson	12/09/19
ThinkSmart Ltd	Canaccord Genuity	Canaccord Genuity / finnCap	Canaccord Genuity	finnCap	17/09/19
Burford Capital	Jefferies/Numis/ Macquarie	Numis/Macquarie	Macquarie	Macquarie	18/09/19
Oncimmune	finnCap/Bryan, Garnier/Zeus	Bryan, Garnier/Zeus	Zeus	Zeus	20/09/19
Aura Energy	SP Angel/WH Ireland	SP Angel/WH Ireland	SP Angel	WH Ireland	24/09/19
Dods Group	Liberum	Cenkos	Liberum	Cenkos	26/09/19
Green & Smart	Optiva	Cantor Fitzgerald	Beaumont Cornish	Cantor Fitzgerald	30/09/19

SigmaRoc makes initial move into Belgian building materials market

Building materials *www.sigmaroc.com*

Building materials sector consolidator **SigmaRoc** is making its first acquisition outside of the UK and the Channel Islands. It has agreed to pay €2.2m in cash and shares issued at 50p each for Belgium-based sea defence rock quarry operator Stone Holdings, which owns two quarries and a wharf. Shareholders have given SigmaRoc management permission to issue additional shares to finance further acquisitions.

Stone reported a pre-tax profit of €355,000 in 2018, although that was held back by the costs of a restructuring during the year.

Another important factor in the Stone acquisition is that its 60% shareholder Jacques Emsens is joining the SigmaRoc board. Emsens' family firm is silica sand and clay supplier SCR-Sibelco and he is on the board of a major Belgian investment company. His sector experience will help the group to expand further in Belgium and other northern European countries.

SigmaRoc is moving into Belgium

Additional acquisitions could be completed before the end of the year. This includes acquiring the other 60% in South Wales-based quarry group GDH, where performance has improved since the purchase of an initial 40% stake. There is an option to acquire the rest for £7.5m.

In the six months to June 2019, revenues increased by 50% to £29.8m and underlying pre-tax profit improved by a quarter to £3.5m. The interims showed flat underlying earnings per share as the integration benefits of CCP Building Products are yet to show through. There were also one-off acquisition and convertible loan note redemption premium costs.

SIGMAROC (SRC)			38.1p
12 MONTH CHANGE %	-8.2	MARKET CAP £M	66.2

Net debt increased to £23.3m, including leases. The current Santander lending facility is £34m and £25.8m was drawn down at the end of June.

Full-year earnings per share are set to increase. The timing of the earnings enhancing Stone acquisition will affect the outcome, but it will be more significant next year. Even so, the shares are trading on less than ten times prospective 2019 earnings.

EweMove boosts Property Franchise Group

Franchised lettings agency *www.propertyfranchise.co.uk*

The Property Franchise Group maintained its interim revenues at £5.5m in a period during which the tenant fee ban came into effect in the final month. The dividend has been raised 8% to 2.6p a share. The strong cash position, with net cash of £2.8m at the end of June 2019, enables the franchised property lettings and sales group to continue to raise the dividend even though the tenant fee ban will have more impact in the second half.

Pre-tax profit moved up from £1.9m to £2m. An improved profit contribution from online estate agency EweMove was a major factor. Growth in management service fees by the traditional franchise network was offset by lower management service fees for sales. Net cash was £2.8m at the end of June 2019.

THE PROPERTY FRANCHISE GROUP (TPFG)			160p
12 MONTH CHANGE %	+11.5	MARKET CAP £M	41.3

The number of trading offices was reduced by eight, compared with the year before, taking the total to 369. More than two-thirds of business is lettings and franchisees are expanding by acquiring portfolios of managed properties.

There will be a full six months of the tenant fee ban in the second half, although Property Franchise Group has already made moves to mitigate that effect. July's lettings exceeded expectations. Full-year profit is expected to edge up to £4.6m and a forecast total dividend of 8.5p a share would be covered 1.7 times by forecast earnings.

Improved performance from Hayward Tyler drives Avingtrans profit

Engineering *www.avingtrans.plc.uk*

Engineering company **Avingtrans** is still improving the performance of the Hayward Tyler businesses it acquired two years ago, but they have helped to more than double group profit last year.

In the year to May 2019, group revenues increased from £78.9m to £105.5m, while underlying pre-tax profit jumped from £2.4m to £5.3m. The main profit improvement came from the engineered pumps and motors division, which is most of the old Hayward Tyler business. The focus on aftermarket sales has helped that improvement.

The process solutions and rotating equipment division, which includes the rest of the Hayward Tyler operations, also improved its profit contribution. The medical and industrial imaging division remains at around breakeven.

Tax losses are £35.4m

Avingtrans has achieved its eighth year of dividend growth and this record is set to continue. Back in 2010-11, the dividend was 0.4p a share, while the latest total is 3.8p a share. Net debt fell from £7.1m to £2m at the end of May 2019. Higher working capital and acquisition spending means that net debt is expected to increase to £9.2m by next May.

There are tax losses of £35.4m – £8.4m of these have been recognised as a deferred tax asset in the balance sheet. These are only usable against profit from certain parts of the group so there is still a tax charge.

AVINGTRANS (AVG)			246p
12 MONTH CHANGE %	+13.6	MARKET CAP £M	77.2

The latest acquisitions of security and blast-proof doors maker Booth Industries and nuclear-focused fabricator Energy Steel will make their initial contribution in the current financial year, although they are unlikely to do much better than breakeven.

The order intake from the international customer base has been at record level, including a £10m nuclear life extension contract with Vattenfall of Sweden. A 2019-20 pre-tax profit of £6.2m, would put the shares on 14 times prospective earnings.

Attraqt refocuses, but still a long way to go

Merchandising software *www.attraqt.com*

Luke McKeever has been chief executive of **Attraqt** for just over a year and he has refocused the business and acquired Early Birds in order to obtain an artificial intelligence-focused personalisation platform that makes the existing Attraqt online merchandising platform even more attractive to retailers.

Attraqt's SaaS-based e-commerce technology helps retailers to improve the conversion rates and average order values from their websites. The technology enables the clients to change the highlighted offers and positioning of products on the website in order to entice the consumer. Buying Early Birds means that Attraqt does not have to spend cash developing its own AI-based software and the integration of the software is progressing.

ATTRAQT (ATQT)			35p
12 MONTH CHANGE %	-2.8	MARKET CAP £M	63

In the first half of 2019, revenues were 7% ahead at £9m – organic growth was 4%. Annual recurring revenues were a quarter higher at £18.9m. Net client retention was 95% in the first half. Improving gross margins reduced the loss. New clients include AIM-quoted fashion group Joules and Helly Hansen.

A lower full-year loss is expected this year, before a move into profit in 2020. The forecast 2020 pre-tax profit is £400,000, but it is expected to jump to £2m in 2021. A fundraising helped to cover the cost of acquiring Early Birds and provide working capital. Attraqt is expected to end the year with net cash of £4m, suggesting an outflow of more than £2m in the second half, and the company is expected to start generating cash next year.

Destiny Pharma on course with antibiotic for high-risk surgery patients

Antibiotics developer *www.destinypharma.com*

Destiny Pharma is set to report an update on its phase IIb clinical study for XF-73 before the end of 2019, although the full results have been delayed until 2020. XF-73 is an antibiotic treatment for the prevention of post-surgical infections and the recruitment of patients into the US part of the clinical trial has been slower than hoped.

The phase IIb study will cover 200 subjects and it will assess the microbiological effect of XF-73 on MRSA in the nasal carriage for patients due to undergo heart surgery. The update later this year will provide news of the interim safety and analysis performed by an independent safety monitoring board. This should provide investors with some assurance that the trial is progressing well.

There is cash of £9.1m

If the clinical trial is a success, Destiny would be on the way to gaining approval for the first antimicrobial for the prevention of MRSA infections in high-risk surgery patients. XF-73 could also have a much wider range of uses given the requirement for new antibiotics.

In the first half of 2019, research and development spending increased from £1.3m to £1.7m due to the progress of the XF-73 clinical trial. The only income during the period was part of a UK China AMR grant. The interim loss increased from £2m to £2.32m.

DESTINY PHARMA (DEST)			39.5p
12 MONTH CHANGE %	-54.6	MARKET CAP £M	17.3

There was net cash of £9.1m at the end of June 2019 and finnCap expects there to be £6m left at the end of 2019. That is higher than previously expected because trial spending has been delayed to 2020 and the cash should last until the end of 2020. However, Destiny will need to be considering how to generate more finance next year. Successful phase IIB results for XF-73 would provide more choices about where that cash could be raised.

Regulatory business propels Instem

Life Sciences software *www.instem.com*

Life sciences IT services and software provider **Instem** continues to prosper thanks to demand for its outsourced SEND regulatory submission services. Outsourced services revenues doubled, and they will continue to increase as SEND regulation covers additional areas of the pharma market. Instem will be able to handle £500,000-worth of SEND work a month by the end of this year.

Increasing Software-as-a-Service revenues mean that some of the benefits of the progress being made by Instem are not showing up in revenues as quickly as in the past when licence revenues, which are recognised immediately, were more important. There is also more to come from cross-selling of group software and services.

INSTEM (INS)			364p
12 MONTH CHANGE %	+21.5	MARKET CAP £M	59.3

In the six months to June 2019, revenues improved by 11% to £11.7m, while underlying pre-tax profit was flat at £744,000. In contrast cash generated from operations increased from £1.61m to £3.23m. Net cash was £6m.

The cash figure is probably boosted by the timing of payments. Even so, the balance sheet is strong and provides scope for funding complementary acquisitions. These could help to increase the penetration of existing markets or enable Instem to enter additional markets.

The full-year pre-tax profit forecast has been cut from £3.5m to £3.3m, which is still a 10% increase on the previous year. A much bigger improvement is expected in 2020, when the pre-tax profit forecast is £4.3m. The shares are trading on 20 times prospective 2019 earnings, falling to 17 the following year.

Real Estate Investors REIT income

Regional property investment *www.reiplc.com*

Dividend

Real Estate Investors joined AIM in June 2004 and Paul Bassi took over as boss at the time of a fundraising two years later. The maiden dividend payment of 0.5p a share was made for the 2012 financial year. The dividend rose significantly each year reaching 1.5p a share for 2014, which was the year before the company became a REIT.

The 2015 total dividend was 2p a share. The following year quarterly dividend payments commenced, and the annual dividend has consistently grown since then, to 3.562p a share for 2018. The first two quarterly dividends for this year were 0.9375p a share. That suggests a 3.75p a share dividend for 2019. A total dividend of 4.01p a share is forecast for next year.

Business

Real Estate Investors focuses on investing in commercial property in the Midlands, a region that has outperformed the rest of the UK in recent times. Birmingham is hosting the 2022 Commonwealth Games and Coventry will be the UK City of Culture in 2021. Relocations by large companies to Birmingham and investment in electric vehicles by Jaguar Land Rover in the region provide a strong backdrop to demand.

Management has a strong knowledge of the region, so they know where and when properties are a good investment. They also have links with the property adviser community and can make decisions quickly.

The current property portfolio is valued at £221m and the contracted rent is nearly £17m a year. Overall, the properties have 96% occupancy.

REAL ESTATE INVESTORS (RLE)	
Price (p)	53
Market cap £m	98.8
Historical yield	6.7%
Prospective yield	7.1%

The top ten tenants generate 22% of income.

Offices account for nearly two-fifths of the portfolio in terms of income, with a similar proportion of the total income coming from various retail properties, including restaurants. Portfolio loan to value was 39.7% at the end of June 2019.

There is £25m of cash and existing bank facilities to finance further property acquisitions. The current team could manage a bigger portfolio of properties. The focus is properties that have high initial rental yields and potential for boosting asset values. For example, by changing their use to residential through obtaining permitted development rights.

There were no property acquisitions in the first half, but management believes that there are going to be opportunities in the coming months. Some sellers have held off disposing of properties, but they will have to sell at some point.

More than two-fifths of the shares are owned by five institutional investors, including Perpetual, JO Hambro, Premier and M&G.

The shares are trading at a 23% discount to forecast year-end NAV of 68.5p a share, which is slightly lower than the figure for the end of 2018. Growth will come via further acquisitions. Investors can buy assets at a significant discount and obtain an attractive yield.

Dividend news

Fluid power products supplier **Flowtech Fluidpower** warned that trading was getting tougher but that did not stop it from increasing its interim dividend. The interim dividend was raised by 5% to 2.13p a share. In the first half, revenues were 5.7% ahead at £59.6m, including 2.9% organic growth. Pre-tax profit was 3% ahead at £5.6m. Net debt was £18.8m, excluding leases. The 2019 underlying pre-tax forecast has been downgraded from £12.2m to £11m, compared with £10.6m in 2018. The full-year dividend is expected to increase from 6.1p a share to 6.4p a share, which would be covered 2.3 times by forecast earnings.

In the year to June 2019, **Clinigen** increased its dividend by one-fifth to 6.7p a share. That was in line with the growth in underlying earnings per share achieved by the speciality pharmaceuticals and services provider. This year there will be a significantly earnings enhancing contribution from the US rights to Proleukin, which was acquired after the year end, and that provides further potential for dividend growth. Clinigen already owns the rights in the rest of the world. Proleukin is a treatment for metastatic melanoma and metastatic renal cell carcinoma and has potential for treatment of other cancers in combination with other therapies.

Keystone Law is increasing its interim dividend by 28% to 3.2p a share and on top of this it is paying a special dividend of 8p a share. Net cash was £6.4m at the end of July 2019, although that excludes leases of £2.4m. The dividends will cost £3.5m. The business continues to generate cash to replenish the coffers. There were 355 lawyers working at Keystone at the end of July. New office space has been added at the Chancery Lane office, which provides back-office facilities as well as desks and meeting rooms for lawyers.

AIM dividends reach record levels

Link Asset Services has published its latest AIM Dividend Monitor and it shows a further significant increase in dividend payments by AIM companies.

AIM companies are an increasing source of dividend income for investors. Even though the overall yield on AIM is much lower than the Main Market, if non-dividend paying companies are taken out then the average yield is getting nearer to the level on the Main Market. The decline in AIM share prices relative the Main Market has helped, but there is a general trend as well.

AIM Dividend Monitor is published by Link Asset Services and the latest edition covers dividends paid by AIM-quoted companies up until the end of the first half of 2019.

It should be noted that some of the dividend totals for past years have been changed and in a few of these years the regular and special dividend amounts do not add up to the total dividend figures. This is probably rounding errors or something similar, but it does not detract from the general trend in AIM dividends.

There was further growth in dividend payments in the latest six-month period. Regular dividends were 13% higher than in the first half of 2018 and the growth was even faster if special dividends are included.

This is despite the fact that dividend payers have been taken over or moved to the Main Market. Growth from existing companies and new entrants paying dividends has more than offset that. The top ten companies paid one-quarter of all AIM dividends in 2018, down from 30% in the previous year.

To put the figures in perspective, more has been paid out in dividends in 2018 than was raised by AIM companies in any single year up until 2000, when the tech boom led to £3.09bn being raised. In each of 2001 and 2002 there was less raised than paid in dividends in 2018.

Special dividends are particularly difficult to predict, and it is noticeable from the table that this is a volatile figure. They tend to be paid when a company has built up a cash pile and it does not need all the cash for the business.

Forecasts

In last year's publication, Link forecast regular dividends would reach £1,142.2m and special dividends would be £17m in 2018. This was calculated more than half-way through the year so there was a good indication of what the outcome was going to be. The forecast proved slightly too optimistic, though, with regular dividends just below £1.1bn and a small outperformance from special dividends.

The forecast for 2019 in the previous publication also appears to have been slightly optimistic. Nearly £1.3bn of regular dividends were being forecast for the current year back in 2018. Despite the strong growth in the first half, this has been cut to £1,230.3m.

The special dividend forecast of £18.7m was beaten in the first half and has been upgraded to £73.6m.

The forecast for 2020 is regular dividends of £1,315.5m, which is slightly higher than the original forecast for 2019. The special dividend forecast of £17.9m is consistent with the general caution about special dividends in past years.

Further information at www.linkassetservices.com/our-thinking/aim-dividend-monitor

FORECAST AIM DIVIDENDS (£M)

	2019	2020
Regular	1230.3	1315.5
Special	73.6	17.9
Total	1303.9	1333.4

AIM DIVIDEND PAYMENTS (£M)

	2012	2013	2014	2015	2016	2017	2018	2018 H1	2019 H1
Regular	389.4	484	582.9	700	820.3	943.7	1098.5	500.7	566.7
Special	27.5	64.2	46.2	21.6	155.7	25.9	17.7	10.8	66.7
Total	416.9	551.4	633.3	728.6	984	969.6	1116.2	511.5	633.5

AIM's award winners in 2019

The 2019 AIM awards were held in London on 10 October. A wide range of companies won awards. Some winners were AIM veterans of more than one decade, while others were newer to the junior market.

COMPANY OF THE YEAR

RWS (RWS)

Patent translation services provider RWS has been transformed from a failed healthcare internet shell into one of the top ten AIM companies. Last year, RWS won the transaction of the year award for the $320m acquisition of Moravia, which provides technology-enabled localisation services, and in 2019 it has graduated to the main prize. Even though the Moravia acquisition was part-funded by a share issue, RWS increased interim earnings per share by 23% to 10.1p. Net debt has been reduced by 23% to £63.9m. The interim dividend was raised 17% to 1.75p a share.

RWS recently acquired Alpha Translations Canada Inc for $6m (£4.5m). The legal and financial translation services provider has a customer base that is predominantly made up of European law firms.

Management expects the momentum to continue in the second half, with potential for cross-selling of services. A full-year profit of £72.8m is forecast.

ENTREPRENEUR OF THE YEAR

Anthony Best, AB Dynamics (ABDP)

Anthony Best founded automotive testing systems supplier AB Dynamics in 1982. The company started out as an engineering consultancy and has become a supplier to the top 25 global vehicle manufacturers. AB Dynamics is a favourite of the judges and was on five of the shortlists, including company of the year, but this is the only award it has won. Tony Best was executive chairman when AB Dynamics floated in May 2013. He subsequently moved to non-executive chairman, but he is still highly involved in the business. At the placing price of 86p the company was valued at £14m. The share price has risen to 2375p and the valuation has reached £532m.

AB Dynamics has expanded in North America through the purchase of California-based Dynamic Research Inc (DRI) for up to $24.7m. This provides a US testing facility for the group and the acquisition will also enhance earnings.

Autonomous vehicles and other automotive developments mean that demand for AB Dynamics' services is likely to continue to grow.

GROWTH BUSINESS OF THE YEAR

YouGov (YOU)

Market research and data analytics firm YouGov has been on AIM for more than 15 years. It is a high-profile business because it is well-known for political and election polls. It has a wider range of activities, though. YouGov has gone from a market capitalisation of £18m, which is less than last year's profit, to a current valuation of £564m.

In the year to June 2019, revenues increased by 17% to £136.5m, while underlying pre-tax profit was 26% ahead at £20.5m. Net cash was £37.9m at the end of June 2019. The dividend was raised by one-third to 4p a share.

Data products grew organically by 25% and 36% including the acquisition of SMG insight. This is the highest-margin division and operating margins improved from 31% to 34%. Data services grew by 11% and custom research increased by 1%.

Peel Hunt has upgraded its 2019-20 pre-tax profit forecast from £21.7m to £22.2m and the broker expects YouGov to continue to grow organically.

BEST NEWCOMER

Loungers (LGRS)

Bars operator Loungers is trading at just below its 200p placing price back in April. It did initially go to a premium, but the share price has fallen back since then.

Bristol-based Loungers operates 154 café/bar/restaurants in England and Wales under two brands: Lounge and Cosy Club. It is focused on the value for money sector. In the year to April 2019, revenues increased by 26% to £153m and underlying operating profit was 23% ahead at £12.4m. The new year has started well.

Loungers has a strategy to open 25 new sites each year. Management believes that there could be more than 400 Lounges and more than 100 Cosy Club sites in England and Wales. It costs £600,000 to set up a Lounge and £1m for a Cosy Club.

BEST USE OF AIM

Ideagen (IDEA)

Risk management software provider Ideagen has made good use of its quotation on AIM. It was previously quoted on Plus Markets, now known as the NEX Growth Market, and the shares were introduced to AIM in July 2012. It was valued at £11m when it made the move and is now worth £330m. This has been achieved through a combination of share price improvement and share issues to finance acquisitions.

In the year to April 2019, pre-tax profit improved from £9.7m to £12.2m, which is a higher figure than the original flotation value. Recurring revenues are two-thirds of total revenues and management is targeting an increase to 74% in the full year.

Redland Solutions was acquired after the year end. Redland is a SaaS-based supplier of software to the financial services sector. This could help pre-tax profit rise to £15.8m this year.

BEST TECHNOLOGY

Creo Medical (CREO)

Medical device company Creo Medical has been recognised for the development of the CROMA electrosurgical advanced energy platform that enables precise localised cutting and controlled coagulation in surgical procedures.

The first medical device is Speedboat, which helps to reduce the risk of laparoscopic and other surgical procedures. The first commercial orders for the Speedboat medical device have been received from the US. Another four devices that use the CROMA platform could be launched before the end of the year.

Revenues are still modest, with £300,000 expected in 2019, rising to £1.1m in 2020. A loss of £17m is forecast this year and then £18m next year. Thankfully, Creo has a strong balance sheet. Net cash should still be more than £11m at the end of 2020.

INNOVATIVE FUNDRAISING OF THE YEAR

Scientific Digital Imaging (SDI)

Litigation funding provider Burford Capital won this award the first two times it was included in the list of awards. Given its problems, there was no surprise that it was not included on the shortlist. It was an open competition with no real frontrunner.

Scientific Digital Imaging is a consolidator of scientific instruments manufacturers and it had a fundraising to finance the £3.4m acquisition of Graticules. SDI used PrimaryBid.com to raise an additional £100,000 from small investors and the offer was oversubscribed.

SDI continues to follow its buy and build strategy. In the year to April 2020, pre-tax profit is expected to improve from £3m to £4.2m.

BEST INVESTOR COMMUNICATION

EMIS (EMIS)

Healthcare IT supplier EMIS has won this award for the second year running. The share price has continued to recover since its problems in early 2018. The performance of the troubled NHS contract has improved, and non-core activities have been sold.

Continuing operations increased interim revenues by 7% to £79.8m and there was an 8% improvement in underlying operating profit to £18.2m. Net cash was £26.7m even after investment in further development of technology. The interim dividend was raised by 10% to 15.6p a share.

EMIS is still waiting for a decision on its GP IT Futures bid for the English GP framework. This will be important for the future prospects.

TRANSACTION OF THE YEAR

EKF Diagnostics (EKF) / Renalytix AI (RENX)

Diagnostics firm EKF Diagnostics spun off Renalityx AI in November 2018 and the company initially raised money at 121p a share. KidneyIntelX, a test that can be used for the early diagnosis and improved management of chronic kidney disease patients, has recently received a preliminary price determination in the US (see page 2).

BEST PERFORMING SHARE OF THE YEAR

Bidstack (BIDS)

Advertising technology developer Bidstack reversed into Kin Group on 19 September 2018. Trading in the shares was suspended up until that date and by the end of the relevant period for the award the share price was more than ten times the level at the time of the suspension.

Bidstack provides advertisers with the ability to place their adverts within a video game. It has a deal with video games company Sports Interactive, the publisher of Football Manager, and this has been extended for a further three years.

Revenues remain limited, but Bidstack has been developing its software development kit and putting in the operating base it requires to grow. A strategic partnership with media buyer Dentsu Aegis Network will help gain access to more advertisers in order to build up revenues.

Bidstack has great potential, but the shares are already pricing in a lot of that possible growth. The second half of 2019 could start to show whether Bidstack is building up its revenues.

Further details of the awards and the winners are available on www.aim-awards.co.uk.

Market Performance, Indices and Statistics

AIM SECTOR INFORMATION

SECTOR NAME	% OF MARKET CAP	% OF COMPANIES
Consumer	27	16.6
Industrials	15.9	15.9
Healthcare	12.8	9.8
Technology	11.6	12.3
Financials	10.6	12.2
Energy	7.6	10.9
Basic materials	5.9	13.7
Property	5.6	2.9
Telecoms	1.9	2.5
Utilities	1	1.5

FTSE INDICES

ONE-YEAR CHANGES

INDEX	PRICE	% CHANGE
FTSE AIM All-Share	872.97	-20.5
FTSE AIM 50	4848.92	-23.8
FTSE AIM 100	4453.29	-24.2
FTSE Fledgling	9353.46	-15.2
FTSE Small Cap	5467.6	-6.1
FTSE All-Share	4061.74	-1.6
FTSE 100	7408.21	-1.4

COMPANIES BY MARKET CAP

MARKET CAP	NO.
Under £5m	149
£5m-£10m	101
£10m-£25m	170
£25m-£50m	130
£50m-£100m	134
£100m-£250m	110
£250m+	92

KEY AIM STATISTICS

Total number of AIM	886
Number of nominated advisers	28
Number of market makers	48
Total market cap for all AIM	£94.2bn
Total of new money raised	£114.5bn
Total raised by new issues	£45.2bn
Total raised by secondary issues	£69.2bn
Share turnover value (June 2019)	£40.7bn
Number of bargains (June 2019)	6.9m
Shares traded (June 2019)	363.6bn
Transfers to the official list	191

TOP 5 RISERS OVER 30 DAYS

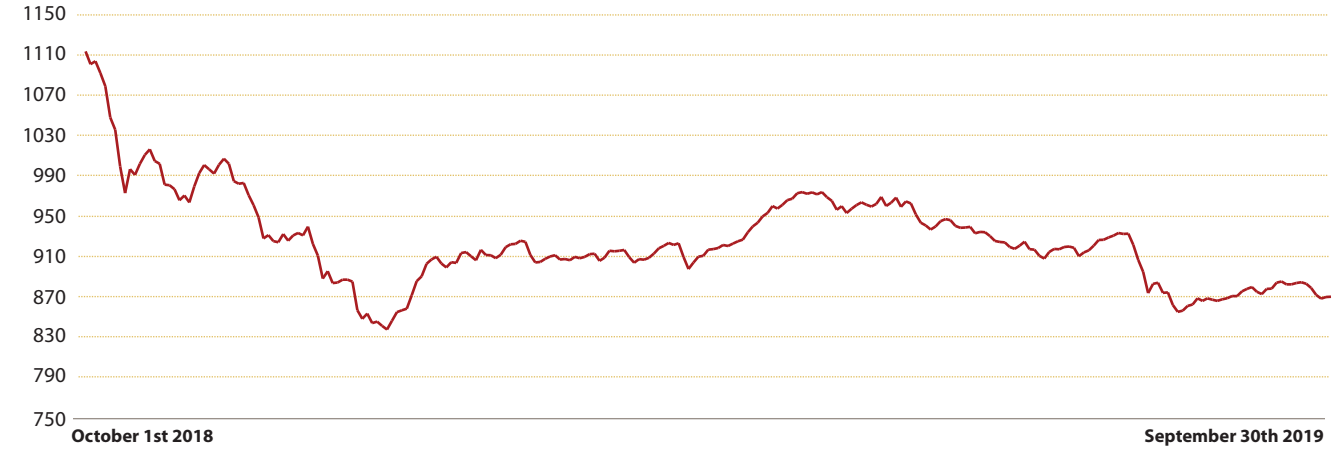
COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
Clontarf Energy	Oil and gas	22.2	+140
Vast Resources	Mining	0.285	+128
BlueRock Diamonds	Mining	141	+122
Range Resources	Oil and gas	0.425	+118
New Trend Lifestyle	Shell	0.45	+80

TOP 5 FALLERS OVER 30 DAYS

COMPANY NAME	SECTOR	PRICE (p)	CHANGE (%)
HydroDec	Cleantech	9.1	-78.1
Brady	Software	9.25	-71.5
Motif Bio	Healthcare	0.85	-66.7
TomCo Energy	Oil and gas	1.65	-55.4
i3 Energy	Oil and gas	22.2	-55.2

AIM - 1 YEAR INDEX CHANGE

Source: London Stock Exchange



Data: Hubinvest Please note - All share prices are the closing prices on the 30th September 2019, and we cannot accept responsibility for their accuracy.

AIM Journal

AIM Journal is a monthly publication that focuses on the Alternative Investment Market (AIM) of the London Stock Exchange and the companies and advisers involved in the junior market.

Each month the publication includes information about AIM-quoted company news, changes to the brokers and nominated advisers, AIM statistics and general articles concerning AIM.

AIM Journal has been published for nearly a decade. There is no other publication of its type with a pure AIM focus and a sponsorship model, making it free to readers.

The pdf-based publication has an email database of company directors and advisers and an email with a link to the latest edition is sent out each month when the AIM Journal is published. The AIM Journal can also be accessed via http://www.hubinvest.com/AimJournalDownload.htm.

The readership via the email is predominantly a professional one. One-quarter of readers are company directors, one-fifth solicitors and accountants, one-fifth brokers and 15% PRs. The rest of the readership is made up of investors, journalists and other individuals.

AIM

The Alternative Investment Market (AIM) was launched on 19 June 1995 with ten companies that had a total market value of £82.2m at the end of the first day's trading. The total amount of money raised by new and existing companies in the remainder of 1995 was £96.5m.

More than 3,800 companies have joined AIM since then, although it should be remembered that some of these are the same companies readmitted after a reverse takeover. These companies have raised more than £112bn either when they join AIM or while they are trading on the junior market.

In 1995, there were 29,099 trades with a total value of £270.2m. These days it is unusual if there are not that many trades in a single day, although their total value tends to be less than £270m.

Companies that started out on AIM include online gaming operator GVC, healthcare properties investor Primary Health Properties, self-storage firm Big Yellow, animal genetics provider Genus, online gaming technology developer Playtech and student accommodation developer Unite Group – all of which are FTSE 250 index constituents.

PUBLISHED BY:	Hubinvest Ltd,	**MOBILE / TEL:**	07729 478 474 / 020 8549 4253
ADDRESS:	1C Beaufort Road, Kingston-upon-Thames, Surrey. KT1 2TH.	**EDITOR:**	Andrew Hore
		PRODUCTION & DESIGN:	David Piddington

SPONSORSHIP & ADVERTISING aimjournal@hubinvest.com or telephone 020 8549 4253